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March 18, 2024

RE: SF 3949

Senator D. Scott Dibble, Chair
Senate Transportation
St. Paul, MN

Dear Senator Dibble:

My name is Deb Birgen, vice-president of Government Relations at Missouri River Energy Services (MRES). On behalf of MRES and our 25 municipal electric utility members in Minnesota, I wish to express our concern with SF 3949.

As Minnesota and other states move towards a more geographically and technologically diverse, intermittent, and distributed energy portfolio, more transmission will need to be built. This endeavor has caused concern among landowners in greater Minnesota who will be the most likely hosts of large transmission buildouts. In an effort to alleviate some pressure on landowners, SF 3949 seeks to facilitate collocation of high-voltage transmission lines (HVTL) along and across highway right of way corridors. However, language has been added to the bill to put most of the risk of relocation costs on the utilities owning or investing in the HVTL. For municipal electric utilities, this risk allocation means that we will be incentivized to <u>avoid</u> existing highway right-of-way corridors, thereby undermining the very purpose of this bill.

Municipal electric utilities and our counterparts, the rural electric cooperatives, are consumer-owned utilities, meaning the customers are the owners of the utilities that serve them. There are no investors, no shareholders, no subsidiary entities. There are only the customer-owners. These municipal home- and business-owners will be paying for the generation necessary to meet the 55 percent by 2035 renewable energy mandate, the 100 percent carbon free mandate, and the associated transmission buildout required. Additionally, these customers are also paying for the additional investments being made to add generation, equipment, and upgrades to assure reliability while this transition is occurring. Placing additional costs and risks on top of what they are already expected to pay will only raise rates, which will in turn affect the affordability for residential, commercial, and industrial customers. All of MRES's 25 Minnesota members are located in Greater Minnesota. As these rural communities struggle to keep Main Street afloat and spur economic development, it is important to minimize cost risks where possible.

Finally, the language in the bill providing for automatic rate-recovery does keep IOU shareholders whole, but does nothing to alleviate the burden on the customer-owners of municipal utilities. With automatic rate-recovery benefitting the IOUs, IOUs may be more willing to collocate in highway rights-of-way. However, because smaller utilities like MRES are not in a position to invest on our own, we invest in these projects with the IOUs, and could be pulled into investing in lines with higher relocation risks, because there are no other alternatives. In such a scenario, if the Department of Transportation calls for a relocation, the IOUs will be made whole through rate-recovery, but not the municipal ratepayer-owners.

MRES would like to thank Chair Dibble for allowing us to comment, and we urge the bill authors reconsider the cost-recovery mechanism as it applies to municipals and cooperatives.

Sincerely,

Deb Birgen

Deb Birgen
Vice-President, Government Relations